

NONGOMA MUNICIPALITY

KZN265



ADJUSTMENT BUDGET OF NONGOMA MUNICIPALITY

2014-15 TO 2016-17

MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

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Abbreviations and Acronyms

<i>AMR</i>	<i>Automated Meter Reading</i>	<i>LED</i>	<i>Local Economic Development</i>
<i>ASGISA</i>	<i>Accelerated and Shared Growth Initiative</i>	<i>MEC</i>	<i>Member of the Executive Committee</i>
<i>BPC</i>	<i>Budget Planning Committee</i>	<i>MFMA</i>	<i>Municipal Financial Management Act Programme</i>
<i>CFO</i>	<i>Chief Financial Officer</i>	<i>MIG</i>	<i>Municipal Infrastructure Grant</i>
<i>CM</i>	<i>City Manager</i>	<i>MMC</i>	<i>Member of Mayoral Committee</i>
<i>CPI</i>	<i>Consumer Price Index</i>	<i>MPRA</i>	<i>Municipal Properties Rates Act</i>
<i>CRRF</i>	<i>Capital Replacement Reserve Fund</i>	<i>MSA</i>	<i>Municipal Systems Act</i>
<i>DBSA</i>	<i>Development Bank of South Africa</i>	<i>MTEF</i>	<i>Medium-term Expenditure Framework</i>
<i>DoRA</i>	<i>Division of Revenue Act</i>	<i>MTREF</i>	<i>Medium-term Revenue and Expenditure Framework</i>
<i>EE</i>	<i>Employment Equity</i>	<i>NGO</i>	<i>Non-Governmental organisations</i>
<i>EM</i>	<i>Executive Mayor</i>	<i>NKPIs</i>	<i>National Key Performance Indicators</i>
<i>FBS</i>	<i>Free basic services</i>	<i>OHS</i>	<i>Occupational Health and Safety</i>
<i>GAMAP</i>	<i>Generally Accepted Municipal Accounting Practice</i>	<i>OP</i>	<i>Operational Plan</i>
<i>GDP</i>	<i>Gross domestic product</i>	<i>PMS</i>	<i>Performance Management System</i>
<i>GFS</i>	<i>Government Financial Statistics</i>	<i>PPE</i>	<i>Property Plant and Equipment</i>
<i>GRAP</i>	<i>General Recognised Accounting Practice</i>	<i>PTIS</i>	<i>Public Transport Infrastructure System</i>
<i>HR</i>	<i>Human Resources</i>	<i>SALGA</i>	<i>South African Local Government Association</i>
<i>HSRC</i>	<i>Human Science Research Council</i>	<i>SAPS</i>	<i>South African Police Service</i>
<i>IDP</i>	<i>Integrated Development Strategy</i>	<i>SDBIP</i>	<i>Service Delivery Budget Implementation Plan</i>
<i>IT</i>	<i>Information Technology</i>	<i>SMME</i>	<i>Small Micro and Medium Enterprises</i>
<i>KM</i>	<i>Kilometre</i>		
<i>KPA</i>	<i>Key Performance Area</i>		
<i>KPI</i>	<i>Key Performance Indicator</i>		

1.1 Mayor's Budget Speech

Honorable Speaker . Cllr A N Mchunu

Honorable Deputy Mayor . Cllr T B Nyoka

Honorable Members of the Executive Committee

Honorable Councillors

Municipal Manager . Mr. BE Ntanzi

Heads of Department

Ladies and Gentlemen

I am honored to present to you the revised budget for 2014/15 financial year today. I am hopeful that you will positively engage this budget with progressive ideas aimed at shaping the future and sustainability of Nongoma Municipality. Allow me Honorable Speaker to remind and inform all those present that this is our fourth revised budget since we took over the office as the newly elected Council.

In the past years, the world economy has gone through its deepest recession in over 70 years. Signals are that the recovery is still fragile and many commentators caution that current positive economic trends may be short-lived and that the world economy may yet experience a second recessionary wave. Nongoma Municipality was in no way immune to the harsh economic realities associated with the recession. Among the impacts are the serious cash flow challenges currently being experienced by the municipality due to among other things declining collection rates; historic expenditure patterns and a general lack of ~~being~~ business smarter+.

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the Nongoma Municipality. Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains

financially viable and that sustainable municipal services are provided economically and equitably to all communities.

The 2014-15 adjustment budget has been prepared taking into account the results of the mid-year budget and performance assessment report presented to the council in terms of section 72 of the Municipal Finance Management Act. The report above necessitated that the original annual budget be revised to prioritize the following:

1. Revised National and Provincial government grant allocations:

a. Impact of the revision of grant allocations by national government

- No changes to grant allocations to Nongoma municipality according to a revised DORA gazette by national government.

b. Impact of revision of grant allocations by provincial government

- Sports facilities maintenance grant for R150 000 from the department of Sports and Recreation budgeted for current was transferred in June 2014. Hence requires adjustment in the budget as it was part of unspent grant allocation at year end.

Furthermore, Mr Speaker, according to COGTA in the province, the Minister for national COGTA has not yet endorsed the gazette for upper limits of councilors' allowances which will give us guidance in respect of proposed increases for councilors' allowances for current year. Hence no submission has been made yet by the municipality.

Tariffs

The municipality is not allowed to revise tariffs and other municipal charges during the implementation of an approved annual budget. This is a legislative requirement.

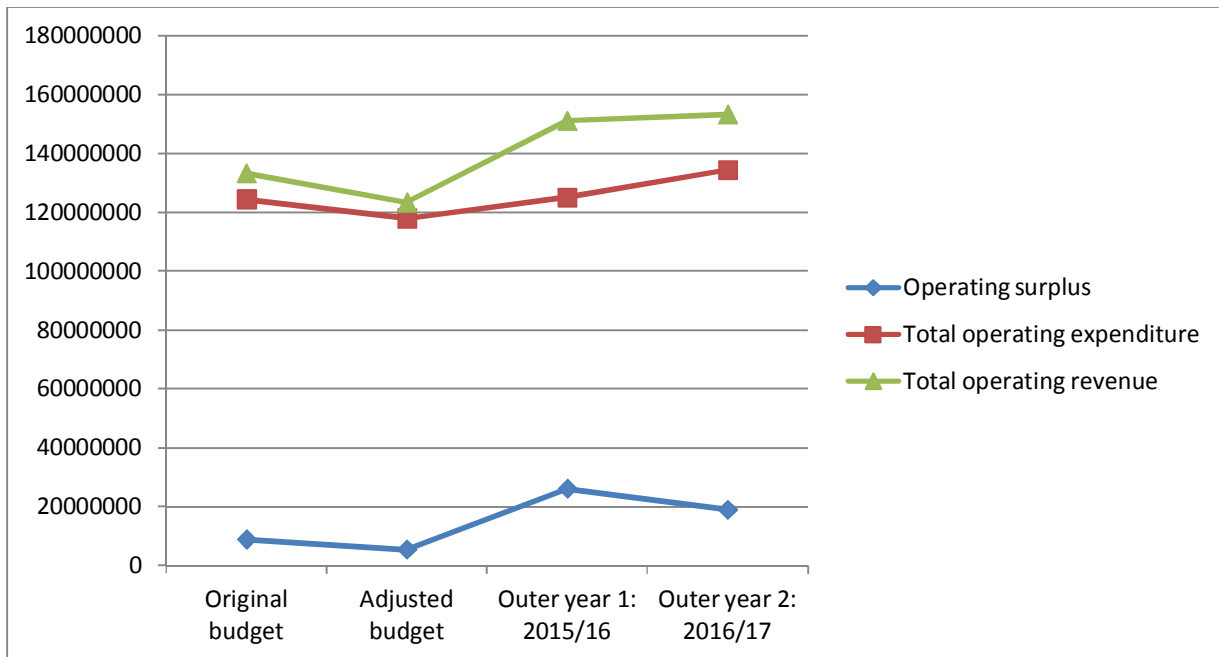
Some revenue and expenditure estimates required adjustment due to material under-collection in respect of revenue and expenditure not in line with the expenditure trends in terms of allocated budget per vote.

Mister Speaker, we table several documents to the sitting of Council. We are aware that this is a huge volume but we do it to show transparency on how this budget was arrived at and the benefits to be derived by our community from the municipality's programmes.

Mister Speaker, listed below are the highlights of the 2014/15 revised Budget:

a) Consolidated adjustment budget

Description	Ref	Budget Year 2014/15		Budget Year +1 2015/16	Budget Year +2 2016/17
		Original Budget	Adjusted Budget 10 H	Adjusted Budget	Adjusted Budget
R thousands	1	A	H		
Total operating Revenue		133 251 985	123 290 292	151 042 143	153 208 232
Total operating Expenditure		124 449 067	117 910 106	125 012 021	134 313 870
Operating Surplus/(Deficit)		8 802 918	5 380 185	26 030 122	18 894 361

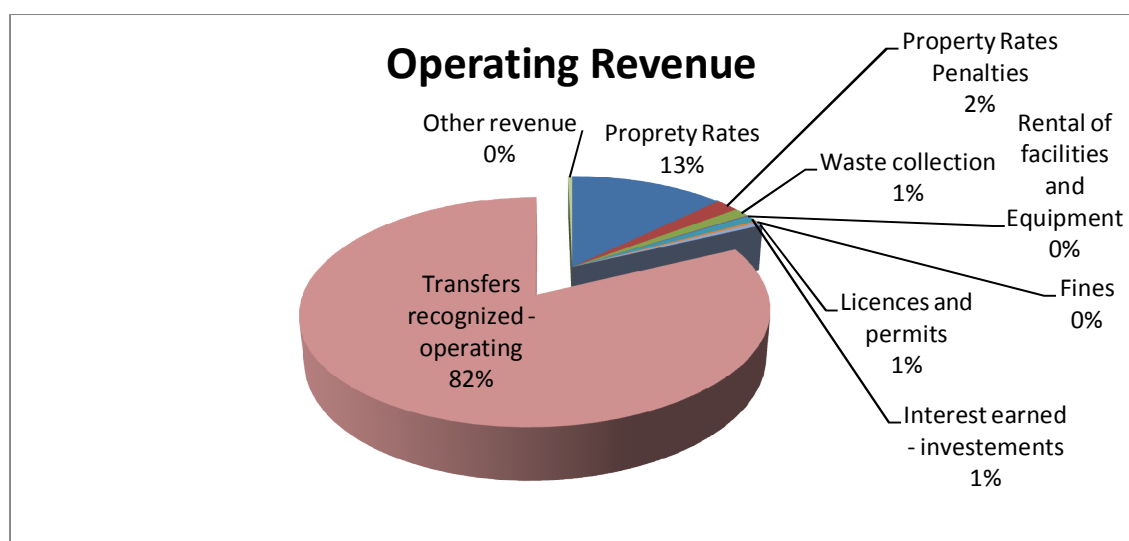


b) Detailed operating revenue

Description	Ref	Budget Year 2014/15		Budget Year +1 2015/16	Budget Year +2 2016/17
		Original Budget	Adjusted Budget 10 H	Adjusted Budget	Adjusted Budget
R thousands	1	A	H		
Revenue By Source					
Property rates	2	23 407 249	15 792 473	16 740 021	17 744 423
Property rates - penalties & collection charges		4 974 711	2 411 465	2 556 153	2 709 522
Service charges - refuse revenue	2	1 601 966	1 601 966	1 696 482	1 789 788
Rental of facilities and equipment		176 649	164 224	173 913	183 478
Interest earned - external investments		511 728	1 186 979	1 257 011	1 326 147
Fines		71 320	378 814	401 164	423 228
Licences and permits		1 010 000	640 160	677 930	715 216
Transfers recognised - operating		100 870 000	100 720 000	127 122 000	127 876 000
Other revenue	2	628 363	394 211	417 469	440 430
Total operating revenue		133 251 985	123 290 292	151 042 143	153 208 232

The adjustments were effected on the following revenue categories:

- Property rates
- Penalty interest charges as a result of decreased rate assessment
- Rental of facilities
- Licences and permits
- Grants and subsidies
- And other revenue



c) Detailed operating expenditure

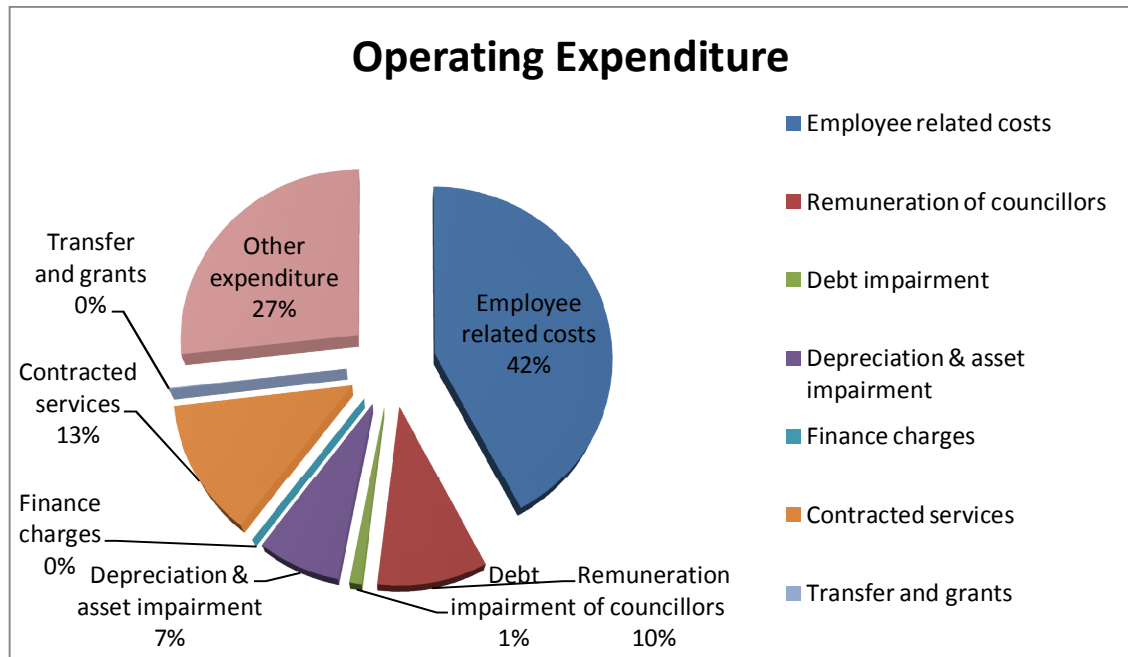
Description	Ref	Budget Year 2014/15		Budget Year +1 2015/16	Budget Year +2 2016/17
		Original Budget	Adjusted Budget 10	Adjusted Budget	Adjusted Budget
R thousands	1	A	H		
Expenditure By Type					
Employee related costs		49 590 511	49 823 224	53 011 910	56 404 673
Remuneration of councillors		11 052 242	11 424 529	11 995 756	12 595 543
Debt impairment		1 271 844	1 271 844	1 346 883	1 420 961
Depreciation & asset impairment		10 587 673	8 587 673	9 094 345	9 594 534
Finance charges		462 398	44 926	47 577	2 058 449
Contracted services		15 632 397	15 041 432	15 928 877	16 804 965
Transfers and grants		122 184	140 659	148 958	157 151
Other expenditure		35 729 818	31 575 819	33 437 715	35 277 594
Total Expenditure		124 449 067	117 910 106	125 012 021	134 313 870

The major adjustments have been made on the expenditure categories below:

- Employee related costs increased by R232 713 thousand. New positions provided for in this budget are: Technicians (Technical Services department)
- Councillors' allowances increased by R372 287 thousand. New positions provided for in the budget are: MPAC Chairperson . full time, Chief Whip (Corporate Services department)
- Depreciation and asset impairment decreased by R2 million.
- Finance cost reduced by R417 472 thousand.
- Other expenditure:
 - + Advertising increased to R 573 thousand
 - + Debt collection revised to zero
 - + HIV and AIDS decreased to R1 million
 - + Legal expenses increased to R975 thousand
 - + Ward committee expenses revised to R1.1 million
 - + Accommodation costs decreased to R809 thousand
 - + Training costs revised to R431 thousand
 - + Subsistence & travel increased to R2.2 million

- Repairs and maintenance reduced to R2.3 million

Other items were not revised as adjustments were not necessary.



d) Capital Expenditure

The capital budget of the municipality has been revised to R49.5 million compared to the original budget of R57.9 million. The capital projects provided for in the original budget and which are under construction during current budget year have not been revised with the exception of the following:

- É R6 million for funding of testing centre.
- É Cemetery fencing project projected to be R1 million
- É Capital assets (Vehicles) totaling to R1.3 million with the exception of the Hon. Mayor's vehicle.
- É Furniture and fittings, Corporate services . New offices

The summary of a **revised capital expenditure** for current financial period is as follow:

Description	Ref	Budget Year 2014/15		Budget Year +1 2015/16	Budget Year +2 2016/17
		Original Budget	Adjusted Budget 12	Adjusted Budget	Adjusted Budget
R thousands		A	H		
Capital Expenditure					
MIG Projects		29 812 000	29 812 000	31 160 000	32 422 000
NDPG projects		9 867 000	9 867 000	-	-
Electrification projects		6 000 000	6 000 000	10 000 000	10 000 000
Fencing - Cemetery		1 000 000	-	1 000 000	1 000 000
Offices		-	-	12 000 000	7 000 000
Testing centre		6 000 000	-	-	-
Parkhome - IA'S		120 000	-	-	-
Motor vehicle		1 950 000	650 000	500 000	500 000
Computer equipment		258 000	283 000	-	-
Furniture & Fittings		497 000	497 000	-	-
Plant & Equipment		1 454 000	1 454 000	-	-
Others		980 000	980 000	-	-
Total Capital Funding		57 938 000	49 543 000	54 660 000	50 922 000

The municipality has implemented the expanded public works programme for an amount of R1 million as per the National Treasury allocation. The expenditure against this grant is reported accordingly to relevant funders.

We will continue to provide free basic service to poor and indigent households and therefore we urge those households which qualify for indigent and other support to come forward and register for a subsidy.

In conclusion, Mr Speaker, I can without doubt state that the proposed 2014/15 revised budget attempts to support the role of Nongoma Municipality and will definitely contribute to poverty alleviation and improving the lives of the community.

I want to pay special gratitude the Councillors of Nongoma, the Municipal Manager Mr. BE Ntanzu, Chief Financial Officer Mr. M Mthembu, the Heads of Departments and all the staff of

Nongoma, for the good work they did in producing this document. It will improve the lives of the people.

I thank you

Hon Cllr J B Mavundla
Mayor of Nongoma Municipality.

1.2 Council Resolutions

On 26 February 2015 the Council of the Municipality met in the Council Chambers of Nongoma Municipality to consider the adjustment budget of the municipality for the financial year 2014/15. The Council approved and adopted the following resolutions:

1. The Council of Nongoma Municipality, acting in terms of section 28 of the Municipal Finance Management Act, (Act 56 of 2003) approves:
 - 1.1. The adjustment budget of the municipality for the financial year 2014/15 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Consolidated budget tables as contained in Table 1.
 - 1.1.2. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 2 ; and
 - 1.1.3. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 5.
 - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 6;
 - 1.2.2. Budgeted Cash Flows as contained in Table 7;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 8;

1.2.4. Asset management as contained in Table 9; and

1.2.5. Basic service delivery measurement as contained in Table 10.

Adjustment budget tables

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2014/15 revised budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 1: MBRR Table B1 Budget summary

KZN265 Nongoma - Table B1 Adjustments Budget Summary - 28 February 2015

Description	Budget Year 2014/15									Budget Year	Budget Year
	Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	+1 2015/16 Adjusted Budget	+2 2016/17 Adjusted Budget
R thousands	A	1	2	3	4	5	6	7	8		
Financial Performance											
Property rates	28 382	-	-	-	-	-	(10 178)	(10 178)	18 204	19 296	20 454
Service charges	1 602	-	-	-	-	-	-	-	1 602	1 696	1 790
Investment revenue	512	-	-	-	-	-	675	675	1 187	1 257	1 326
Transfers recognised - operational	100 870	-	-	-	-	-	(150)	(150)	100 720	127 122	127 876
Other own revenue	1 886	-	-	-	-	-	(309)	(309)	1 577	1 670	1 762
Total Revenue (excluding capital transfers and contributions)	133 252	-	-	-	-	-	(9 962)	(9 962)	123 290	151 042	153 208
Employee costs	49 591	-	-	-	-	-	233	233	49 823	53 012	56 405
Remuneration of councillors	11 052	-	-	-	-	-	372	372	11 425	11 996	12 596
Depreciation & asset impairment	10 588	-	-	-	-	-	(2 000)	(2 000)	8 588	9 094	9 595
Finance charges	462	-	-	-	-	-	(417)	(417)	45	48	2 058
Materials and bulk purchases	-	-	-	-	-	-	-	-	-	-	-
Transfers and grants	122	-	-	-	-	-	18	18	141	149	157
Other expenditure	52 634	-	-	-	-	-	(4 745)	(4 745)	47 889	50 713	53 504
Total Expenditure	124 449	-	-	-	-	-	(6 539)	(6 539)	117 910	125 012	134 314
Surplus/(Deficit)	8 803	-	-	-	-	-	(3 423)	(3 423)	5 380	26 030	18 894
Transfers recognised - capital	45 679	-	-	-	-	-	-	-	45 679	41 160	42 422
Contributions recognised - capital & contributed a	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	54 482	-	-	-	-	-	(3 423)	(3 423)	51 059	67 190	61 316
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	54 482	-	-	-	-	-	(3 423)	(3 423)	51 059	67 190	61 316
Capital expenditure & funds sources											
Capital expenditure	57 938	-	-	-	-	-	(8 395)	(8 395)	49 543	54 660	50 922
Transfers recognised - capital	45 679	-	-	-	-	-	-	-	45 679	41 160	42 422
Public contributions & donations	-	-	-	-	-	-	-	-	-	-	-
Borrowing	7 950	-	-	-	-	-	(7 950)	(7 950)	-	-	-
Internally generated funds	4 309	-	-	-	-	-	(445)	(445)	3 864	13 500	8 500
Total sources of capital funds	57 938	-	-	-	-	-	(8 395)	(8 395)	49 543	54 660	50 922
Financial position											
Total current assets	40 212	-	-	-	-	-	(24 148)	(24 148)	16 064	46 485	52 072
Total non current assets	317 734	-	-	-	-	-	(46 815)	(46 815)	270 919	369 224	421 317
Total current liabilities	25 324	-	-	-	-	-	(5 326)	(5 326)	19 998	26 688	28 134
Total non current liabilities	11 411	-	-	-	-	-	(7 091)	(7 091)	4 320	30 649	47 162
Community wealth/Equity	321 211	-	-	-	-	-	(58 545)	(58 545)	262 666	369 394	409 606
Cash flows											
Net cash from (used) operating	56 089	-	-	-	-	(150)	967	817	56 906	58 681	49 579
Net cash from (used) investing	(57 938)	-	-	-	-	-	8 395	8 395	(49 543)	(54 660)	(50 922)
Net cash from (used) financing	(282)	-	-	-	-	-	(2 745)	(2 745)	(3 027)	(326)	(53)
Cash/cash equivalents at the year end	8 299	-	-	-	-	(150)	(2 853)	(3 003)	5 296	8 991	7 595
Cash backing/surplus reconciliation											
Cash and investments available	8 479	-	-	-	-	-	(3 183)	(3 183)	5 296	7 960	5 810
Application of cash and investments	5 720	-	-	-	-	-	1 746	1 746	7 467	(10 100)	(19 418)
Balance - surplus (shortfall)	2 758	-	-	-	-	-	(4 929)	(4 929)	(2 171)	18 060	25 228
Asset Management											
Asset register summary (WDV)	-	-	317 734	-	-	-	-	317 734	317 734	369 181	421 274
Depreciation & asset impairment	10 588	-	-	-	-	-	(2 000)	(2 000)	8 588	9 094	9 595
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	8 672	-	-	-	-	-	-	-	8 672	9 547	10 072
Free services											
Cost of Free Basic Services provided	122	-	-	-	-	-	-	-	122	129	136
Revenue cost of free services provided	1 101	-	-	-	-	-	-	-	1 101	1 101	1 101
Households below minimum service level											
Water:	-	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	21	-	-	-	-	-	-	-	21	21	21
Energy:	-	-	-	-	-	-	-	-	-	-	-
Refuse:	41	-	-	-	-	-	-	-	41	41	41

Explanatory notes to Table B1 - Budget Summary

1. Table B1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation (Table B8) shows that in previous financial years many of the municipal obligations were not cash-backed. This placed the municipality in a very vulnerable financial position, as the revenue collections were at a low level. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations.

The following table is a summary of the 2012/13 revised MTREF (classified by main revenue and expenditure source):

Table 1: MBRR Table B4 Summary of revenue classified by main revenue and expenditure sources

KZN265 Nongoma - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) - 28 February 2015

Description	Ref	Budget Year 2014/15									Budget Year +1 2015/16	Budget Year +2 2016/17
		Original Budget	Prior Adjusted 3	Accum. Funds 4	Multi-year capital 5	Unfore. Unavoid. 6	Nat. or Prov. Govt 7	Other Adjusts. 8	Total Adjusts. 9	Adjusted Budget 10	Adjusted Budget	Adjusted Budget
R thousands	1	A	A1	B	C	D	E	F	G	H		
Revenue By Source												
Property rates	2	23 407	-	-	-	-	-	(7 615)	(7 615)	15 792	16 740	17 744
Property rates - penalties & collection charges		4 975						(2 563)	(2 563)	2 411	2 556	2 710
Service charges - refuse revenue	2	1 602	-	-	-	-	-	-	-	1 602	1 696	1 790
Rental of facilities and equipment		177						(12)	(12)	164	174	183
Interest earned - external investments		512						675	675	1 187	1 257	1 326
Fines		71						307	307	379	401	423
Licences and permits		1 010						(370)	(370)	640	676	715
Transfers recognised - operating		100 870						(150)	(150)	100 720	127 122	127 876
Other revenue	2	628	-	-	-	-	-	(234)	(234)	394	417	440
Total Revenue (excluding capital transfers and contributions)		133 252	-	-	-	-	-	(9 962)	(9 962)	123 290	151 042	153 208
Expenditure By Type												
Employee related costs		49 591	-	-	-	-	-	233	233	49 823	53 012	56 405
Remuneration of councillors		11 052						372	372	11 425	11 996	12 596
Debt impairment		1 272						-	-	1 272	1 347	1 421
Depreciation & asset impairment		10 588	-	-	-	-	-	(2 000)	(2 000)	8 588	9 094	9 595
Finance charges		462						(417)	(417)	45	48	2 058
Contracted services		15 632	-	-	-	-	-	(591)	(591)	15 041	15 929	16 805
Transfers and grants		122						18	18	141	149	157
Other expenditure		35 730	-	-	-	-	-	(4 154)	(4 154)	31 576	33 438	35 278
Total Expenditure		124 449	-	-	-	-	-	(6 539)	(6 539)	117 910	125 012	134 314
Surplus/(Deficit)		8 803	-	-	-	-	-	(3 423)	(3 423)	5 380	26 030	18 894
Transfers recognised - capital		45 679						-	-	45 679	41 160	42 422
Surplus/(Deficit) for the year		54 482	-	-	-	-	-	(3 423)	(3 423)	51 059	67 190	61 316

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are disclosed separately from the operating revenue, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue transfers recognised forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise 18.3 per cent of the total revenue mix. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Operating grants and transfers totals R100.7 million in the 2014/15 financial year and increases to R127.1 and R127.8 million in the 2015/16 and 2016/17 respectively.

The budgeted allocation for employee related costs for the 2014/15 financial year totals R49.8 million, which equals 42.2% of the total operating expenditure.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. Budget appropriations in this regard total R8.5 million for the financial year and equates to 7.2% of the total operating expenditure. Note that the municipality implemented GRAP 17 accounting standard in 2008/09 and brought a range of assets previously not included in the assets register onto the register. This resulted in a significant increase in depreciation relative to previous years.

Finance charges have been reduced R45 thousand which is due to no long-term finance not obtained yet as was budgeted.

Transfers and grants consist of budget expenditure for the provision for 50kwv free basic electricity (FBE) to indigent households and amounts to R141 thousand.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 2 Operating Transfers and Grant Receipts

KZN265 Nongoma - Supporting Table SB7 Adjustments Budget - transfers and grant receipts - 28 February 2015

Description	Ref	Budget Year 2014/15						Budget Year	Budget Year
		Original	Prior	Multi-year	Nat. or Prov.	Other	Total	+1 2015/16	+2 2016/17
		Budget	Adjusted	capital	Govt	Adjusts.	Adjusts.	Adjusted	Adjusted
R thousands		A	A1	B	C	D	E	F	
RECEIPTS:	1, 2								
Operating Transfers and Grants									
National Government:		100 009	-	-	-	-	-	100 009	126 373
Local Government Equitable Share		96 234			-		-	96 234	123 456
Finance Management	3	1 800			-		-	1 800	2 100
Municipal Systems Improvement		934			-		-	934	1 018
EPWP Incentive		1 041			-		-	1 041	-
Provincial Government:		811	-	-	(150)	-	(150)	661	699
Provincialisation of Libraries		535			-		-	535	567
Community Library Services	4	126			-		-	126	132
sports fields maintenance	5	150			(150)		(150)	-	-
District Municipality:		50	-	-	-	-	-	50	50
Tourism		50			-		-	50	50
Total Operating Transfers and Grants	6	100 870	-	-	(150)	-	(150)	100 720	127 122

Operating grants and transfers totals R100.7 million in the 2014/15 financial year and increases to R127.1 and R127.8 million in the 2015/16 and 2016/17 respectively.

Table 5 Summary of capital expenditure by vote

KZN265 Nongoma - Table B5 Adjustments Capital Expenditure Budget by vote and funding - 28 February 2015

Description	Ref	Budget Year 2014/15									Budget Year	Budget Year
		Original	Prior	Accum.	Multi-year	Unfore.	Nat. or	Other	Total	Adjusted	+1 2015/16	+2 2016/17
		Budget	Adjusted	Funds	capital	Unavoid.	Prov.	Adjusts.	Adjusts.	Budget	Adjusted	Adjusted
R thousands		A	A1	B	C	D	E	F	G	H		
Capital expenditure - Vote												
Multi-year expenditure to be adjusted	2											
Vote 3 - Corporate Services		-	-	-	-	-	-	-	-	-	12 000	7 000
Vote 4 - Sport, Recreation and Community Services		1 000	-	-	-	-	-	(1 000)	(1 000)	-	1 000	1 000
Vote 5 - Economic and Environmental Services		45 679	-	-	-	-	-	-	-	45 679	41 160	42 422
Vote 6 - Transport and Roads		6 000	-	-	-	-	-	(6 000)	(6 000)	-	-	-
Capital multi-year expenditure sub-total	3	52 679	-	-	-	-	-	(7 000)	(7 000)	45 679	54 160	50 422
Single-year expenditure to be adjusted	2											
Vote 1 - Governance and Administration		1 075	-	-	-	-	-	(120)	(120)	955	-	-
Vote 2 - Financial Services		176	-	-	-	-	-	40	40	216	-	-
Vote 3 - Corporate Services		797	-	-	-	-	-	(15)	(15)	782	-	-
Vote 4 - Sport, Recreation and Community Services		136	-	-	-	-	-	-	-	136	-	-
Vote 5 - Economic and Environmental Services		660	-	-	-	-	-	(450)	(450)	210	-	-
Vote 6 - Transport and Roads		275	-	-	-	-	-	-	-	275	-	-
Vote 7 - Safety and Security		190	-	-	-	-	-	-	-	190	-	-
Vote 8 - Solid Waste Management		1 950	-	-	-	-	-	(850)	(850)	1 100	500	500
Capital single-year expenditure sub-total		5 259	-	-	-	-	-	(1 395)	(1 395)	3 864	500	500
Total Capital Expenditure - Vote		57 938	-	-	-	-	-	(8 395)	(8 395)	49 543	54 660	50 922
Capital Expenditure - Standard												
Governance and administration		2 048	-	-	-	-	-	(95)	(95)	1 953	12 000	7 000
Executive and council		1 075	-	-	-	-	-	(120)	(120)	955	-	-
Budget and treasury office		176	-	-	-	-	-	40	40	216	-	-
Corporate services		797	-	-	-	-	-	(15)	(15)	782	12 000	7 000
Community and public safety		1 326	-	-	-	-	-	(1 000)	(1 000)	326	1 000	1 000
Community and social services		1 286	-	-	-	-	-	(1 000)	(1 000)	286	1 000	1 000
Public safety		40	-	-	-	-	-	-	-	40	-	-
Economic and environmental services		52 614	-	-	-	-	-	(6 450)	(6 450)	46 164	41 160	42 422
Planning and development		46 339	-	-	-	-	-	(450)	(450)	45 889	41 160	42 422
Road transport		6 275	-	-	-	-	-	(6 000)	(6 000)	275	-	-
Trading services		1 950	-	-	-	-	-	(850)	(850)	1 100	500	500
Waste management		1 950	-	-	-	-	-	(850)	(850)	1 100	500	500
Total Capital Expenditure - Standard	3	57 938	-	-	-	-	-	(8 395)	(8 395)	49 543	54 660	50 922
Funded by:												
National Government		45 679	-	-	-	-	-	-	-	45 679	41 160	42 422
Total Capital transfers recognised	4	45 679	-	-	-	-	-	-	-	45 679	41 160	42 422
Borrowing		7 950	-	-	-	-	-	(7 950)	(7 950)	-	-	-
Internally generated funds		4 309	-	-	-	-	-	(445)	(445)	3 864	13 500	8 500
Total Capital Funding		57 938	-	-	-	-	-	(8 395)	(8 395)	49 543	54 660	50 922

Explanatory notes to Table B5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table B5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2014/15 R45.6 million has

been allocated of the total R49.5 million capital budget, which totals 92.1%. This allocation decreases to R54.1 million and R50.4 million in 2015/16 and 2016/17 respectively

3. The provision made for vehicles purchase has been adjusted due no funding obtained.

5. The capital programme is funded from national capital grants and internally generated funds from current year surpluses. For 2014/15, capital transfers totals R45.6 million decreasing to R41.1 million and R42.2 million in the 2015/16 and 2016/17 financial years respectively. Internally generated funding amount to R3.8 million, R13.5 million and R8.5 million for each of the respective financial years of the MTREF.

Table 6 MBRR Table B6 - Budgeted Financial Position

KZN265 Nongoma - Table B6 Adjustments Budget Financial Position - 28 February 2015

Description	Ref	Budget Year 2014/15									Budget Year +1 2015/16	Budget Year +2 2016/17
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands		A	A1	B	C	D	E	F	G	H		
ASSETS												
Current assets												
Cash		6 834						(3 499)	(3 499)	3 335	5 773	3 051
Call investment deposits	1	1 645	-	-	-	-	-	316	316	1 961	3 218	4 544
Consumer debtors	1	28 139	-	-	-	-	-	(17 869)	(17 869)	10 269	11 478	12 155
Other debtors		3 595						(3 096)	(3 096)	499	424	331
Total current assets		40 212	-	-	-	-	-	(24 148)	(24 148)	16 064	20 893	20 081
Non current assets												
Property, plant and equipment	1	317 698	-	-	-	-	-	(46 858)	(46 858)	270 840	316 603	358 138
Intangible		36						43	43	79	(118)	(326)
Total non current assets		317 734	-	-	-	-	-	(46 815)	(46 815)	270 919	316 485	357 812
TOTAL ASSETS		357 946	-	-	-	-	-	(70 962)	(70 962)	286 983	337 378	377 893
LIABILITIES												
Current liabilities												
Borrowing		1 102	-	-	-	-	-	(796)	(796)	306	52	-
Trade and other payables		23 167	-	-	-	-	-	(4 821)	(4 821)	18 346	19 260	17 979
Provisions		1 055						291	291	1 346	1 346	1 346
Total current liabilities		25 324	-	-	-	-	-	(5 326)	(5 326)	19 998	20 658	19 325
Non current liabilities												
Borrowing	1	7 997	-	-	-	-	-	(7 944)	(7 944)	52	-	-
Provisions	1	3 414	-	-	-	-	-	853	853	4 268	4 268	4 268
Total non current liabilities		11 411	-	-	-	-	-	(7 091)	(7 091)	4 320	4 268	4 268
TOTAL LIABILITIES		36 735	-	-	-	-	-	(12 417)	(12 417)	24 318	24 925	23 592
NET ASSETS	2	321 211	-	-	-	-	-	(58 545)	(58 545)	262 666	312 452	354 301
COMMUNITY WEALTH/EQUITY												
Accumulated Surplus/(Deficit)		321 211	-	-	-	-	-	(58 545)	(58 545)	262 666	312 452	354 301
TOTAL COMMUNITY WEALTH/EQUITY		321 211	-	-	-	-	-	(58 545)	(58 545)	262 666	312 452	354 301

Explanatory notes to Table B6 - Budgeted Financial Position

1. Table B6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as %accounting+ Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table B6 is supported by an extensive table of notes (SB2) providing a detailed analysis of the major components of a number of items, including:
 - É Call investments deposits;
 - É Consumer debtors;
 - É Property, plant and equipment;
 - É Trade and other payables;
 - É Provisions non-current;
 - É Changes in net assets; and
 - É Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

6. The statement of financial position above reflects that there are prospects that the municipality might recover from financial instability during the last quarter of the budget year. The statement suggests a favorable bank balance of R5.2 million at the end of 2015 financial year.

Table7 MBRR Table B7 - Budgeted Cash Flow Statement

KZN265 Nongoma - Table B7 Adjustments Budget Cash Flows - 28 February 2015

Description	Ref	Budget Year 2014/15									Budget Year	Budget Year
		Original	Prior	Accum.	Multi-year	Unfore.	Nat. or	Other	Total	Adjusted	Adjusted	Adjusted
		Budget	Adjusted	Funds	capital	Unavoid.	Prov.	Adjusts	Adjusts	Budget	Budget	Budget
R thousands		A	A1	B	C	D	E	F	G	H		
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Ratepayers and other		17 522	-	-	-	-	-	4 083	4 083	21 605	20 108	21 907
Government - operating	1	100 870	-	-	-	-	(150)	-	(150)	100 720	127 122	127 876
Government - capital	1	45 679	-	-	-	-	-	-	-	45 679	41 160	42 422
Interest		512	-	-	-	-	-	675	675	1 187	1 257	1 326
Payments												
Suppliers and employees		(108 032)	-	-	-	-	-	(4 208)	(4 208)	(112 240)	(130 947)	(143 952)
Finance charges		(462)	-	-	-	-	-	417	417	(45)	(19)	(1)
NET CASH FROM/(USED) OPERATING ACTIVITIES		56 089	-	-	-	-	(150)	967	817	56 906	58 681	49 579
CASH FLOWS FROM INVESTING ACTIVITIES												
Payments												
Capital assets		(57 938)	-	-	-	-	-	8 395	8 395	(49 543)	(54 660)	(50 922)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(57 938)	-	-	-	-	-	8 395	8 395	(49 543)	(54 660)	(50 922)
CASH FLOWS FROM FINANCING ACTIVITIES												
Payments												
Repayment of borrowing		(282)	-	-	-	-	-	(2 745)	(2 745)	(3 027)	(326)	(53)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(282)	-	-	-	-	-	(2 745)	(2 745)	(3 027)	(326)	(53)
NET INCREASE/ (DECREASE) IN CASH HELD		(2 131)	-	-	-	-	(150)	6 617	6 467	4 336	3 695	(1 396)
Cash/cash equivalents at the year begin:	2	10 430						(9 470)	(9 470)	960	5 296	8 991
Cash/cash equivalents at the year end:	2	8 299					(150)	(2 853)		5 296	8 991	7 595

Explanatory notes to Table B7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

3. The above table shows that cash and cash equivalents of the Municipality reflect a steady positive growth from 2014/15 to 2016/17. For the 2014/15 MTREF the revised budget shows improving levels of cash and cash equivalents over the medium-term with cash levels anticipated to be R5.2 million by 2014/15 and increasing to R7.5 by 2016/17.

Table 8 MBRR Table B8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	Ref	Budget Year 2014/15									Budget Year	Budget Year
											+1 2015/16	+2 2016/17
		Original Budget	Prior Adjusted 3	Accum. Funds 4	Multi-year capital 5	Unfore. Unavoid. 6	Nat. or Prov. Govt 7	Other Adjusts. 8	Total Adjusts. 9	Adjusted Budget 10	Adjusted Budget	Adjusted Budget
		A	A1	B	C	D	E	F	G	H		
R thousands												
Cash and investments available												
Cash/cash equivalents at the year end	1	8 299	–	–	–	–	(150)	(2 853)	(3 003)	5 296	8 991	7 595
Other current investments > 90 days		180	–	–	–	–	150	(330)	(180)	–	0	(0)
Non current assets - Investments	1	–	–	–	–	–	–	–	–	–	–	–
Cash and investments available:		8 479	–	–	–	–	–	(3 183)	(3 183)	5 296	8 991	7 595
Applications of cash and investments												
Unspent conditional transfers		–	–	–	–	–	–	–	–	–	–	–
Unspent borrowing										–	–	–
Statutory requirements										–	–	–
Other working capital requirements	2	5 720	–					1 746	1 746	7 466	8 700	6 585
Other provisions										–	–	–
Long term investments committed		–	–					–	–	–	–	–
Reserves to be backed by cash/investments		–	–					–	–	–	–	–
Total Application of cash and investments:		5 720	–	–	–	–	–	1 746	1 746	7 466	8 700	6 585
Surplus(shortfall)		2 758	–	–	–	–	–	(4 928)	(4 928)	(2 170)	291	1 010

Explanatory notes to Table B8 - Cash Backed Reserves/Accumulated Surplus

Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 58 . Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The adjustment budget for the MTREF 2014/15 to 2016/17 reflects that the budget is sufficiently funded taking into consideration the inclusion of non-cash items in the budget.

Table 9 MBRR Table B9 - Asset Management

KZN265 Nongoma - Table B9 Asset Management - 28 February 2015

Description	Ref	Budget Year 2014/15									Budget Year +1 2015/16	Budget Year +2 2016/17
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands		A	A1	B	C	D	E	F	G	H		
CAPITAL EXPENDITURE												
Total New Assets to be adjusted	1	57 938	-	-	-	-	-	(8 395)	(8 395)	49 543	54 660	50 922
Infrastructure - Road transport		45 679	-	-	-	-	-	-	-	45 679	54 160	50 422
Infrastructure - Electricity		6 000	-	-	-	-	-	(6 000)	(6 000)	-	-	-
Infrastructure		51 679	-	-	-	-	-	(6 000)	(6 000)	45 679	54 160	50 422
Other assets	6	6 259	-	-	-	-	-	(2 395)	(2 395)	3 864	500	500
Total Capital Expenditure to be adjusted	4											
Infrastructure - Road transport		45 679	-	-	-	-	-	-	-	45 679	54 160	50 422
Infrastructure - Electricity		6 000	-	-	-	-	-	(6 000)	(6 000)	-	-	-
Infrastructure		51 679	-	-	-	-	-	(6 000)	(6 000)	45 679	54 160	50 422
Other assets		6 259	-	-	-	-	-	(2 395)	(2 395)	3 864	500	500
TOTAL CAPITAL EXPENDITURE to be adjusted	2	57 938	-	-	-	-	-	(8 395)	(8 395)	49 543	54 660	50 922
ASSET REGISTER SUMMARY - PPE (WDV)	5											
Infrastructure - Road transport		103 960			(21 485)	-	-	-	(21 485)	82 475	111 960	142 614
Infrastructure - Electricity		-			6 000	-	-	-	6 000	6 000	16 000	26 000
Infrastructure - Other		830			-	-	-	(830)	(830)	-	-	-
Infrastructure		104 790	-	-	(15 485)	-	-	(830)	(16 315)	88 475	127 960	168 614
Community		48 367						(15 896)	(15 896)	32 471	32 471	32 471
Other assets		164 541			-	-	-	(14 647)	(14 647)	149 895	156 173	157 054
Intangibles		36			-	-	-	43	43	79	(118)	(326)
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	317 734	-	-	(15 485)	-	-	(31 330)	(46 815)	270 919	316 485	357 812
EXPENDITURE OTHER ITEMS												
Depreciation & asset impairment		10 588	-	-	-	-	-	(2 000)	(2 000)	8 588	9 094	9 595
Repairs and Maintenance by asset class	3	8 672	-	-	-	-	-	(823)	(823)	7 848	8 311	8 768
Infrastructure - Road transport		4 085	-	-	-	-	-	112	112	4 197	4 444	4 689
Infrastructure		4 085	-	-	-	-	-	112	112	4 197	4 444	4 689
Other assets	6	4 587	-	-	-	-	-	(936)	(936)	3 651	3 867	4 079
TOTAL EXPENDITURE OTHER ITEMS to be adjusted		19 259	-	-	-	-	-	(2 823)	(2 823)	16 436	17 406	18 363
% of capital exp on renewal of assets		0.0%	0.0%							0.0%	0.0%	0.0%
Renewal of existing assets as % of deprecn		0.0%	0.0%							0.0%	0.0%	0.0%
R&M as a % of PPE		2.7%	0.0%							2.9%	2.6%	2.5%
Renewal and R&M as a % of PPE		2.7%	0.0%							2.9%	2.6%	2.5%

Explanatory notes to Table B9 - Asset Management

- Table B9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
- National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and

maintenance should be 8 per cent of PPE. The budget for renewal of capital assets is lower than National Treasury requirement of 40% at 0.0% of capital budget. The municipality does not have major assets that need to be renewed. The MIG and NDPG capital projects that are being undertaken at this stage are fairly new and will probably not be renewed during the current MTREF. It is for the same reason that the budget for repairs and maintenance is below 8% of the net asset value of the municipality's property, plant and equipment.

Table 10 MBRR Table B10 - Basic Service Delivery Measurement

KZN265 Nongoma - Table B10 Basic service delivery measurement - 28 February 2015

Description	Ref	Budget Year 2014/15										Budget Year	Budget Year
		Original	Prior	Accum.	Multi-year	Unfore.	Nat. or	Other	Total	Adjusted		+1 2015/16	+2 2016/17
		Budget	Adjusted	Funds	capital	Unavoid.	Prov. Govt	Adjusts.	Adjusts.	Budget		Adjusted	Adjusted
		A	7	8	9	10	11	12	13	14		Budget	Budget
			A1	B	C	D	E	F	G	H			
Household service targets	1												
Water:													
Piped water inside dwelling		1 100	0	0	0	0	0	0	–	1		1100	1100
Piped water inside yard (but not in dwelling)		2 456							–	2		2456	2456
Using public tap (at least min.service level)	2	5 280							–	5		5280	5280
Other water supply (at least min.service level)		33 315							–	33		33	33
Minimum Service Level and Above sub-total		42	–	–	–	–	–	–	–	42		42	42
Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–		–	–
Total number of households	5	42	–	–	–	–	–	–	–	42		42	42
Sanitation/sewerage:													
Flush toilet (connected to sewerage)		542							–	542		542	542
Flush toilet (with septic tank)		227							–	227		227	227
Chemical toilet		11 056							–	11 056		11 056	11 056
Pit toilet (ventilated)		9 582							–	9 582		9 582	9 582
Minimum Service Level and Above sub-total		21 407	–	–	–	–	–	–	–	21 407		21 407	21 407
Bucket toilet		135							–	135		135	135
No toilet provisions		21 353							–	21 353		21 353	21 353
Below Minimum Service Level sub-total		21 488	–	–	–	–	–	–	–	21 488		21 488	21 488
Total number of households	5	42 895	–	–	–	–	–	–	–	42 895		42 895	42 895
Energy:													
Electricity (at least min. service level)		9 148							–	9 148		9148	9148
Electricity - prepaid (> min.service level)		9 298							–	9 298		9298	9298
Minimum Service Level and Above sub-total		18 446	–	–	–	–	–	–	–	18 446		18 446	18 446
Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–		–	–
Total number of households	5	18 446	–	–	–	–	–	–	–	18 446		18 446	18 446
Refuse:													
Removed less frequently than once a week		340							–	340		340	340
Using own refuse dump		36 956							–	36 956		36956	36956
Other rubbish disposal		3 303							–	3 303		3303	3303
No rubbish disposal		372							–	372		372	372
Below Minimum Service Level sub-total		40 971	–	–	–	–	–	–	–	40 971		40 971	40 971
Total number of households	5	40 971	–	–	–	–	–	–	–	40 971		40 971	40 971
Households receiving Free Basic Service	15												
Electricity/other energy (50kwh per household per month)		500							–	500		550	600
Cost of Free Basic Services provided (R'000)	16												
Electricity/other energy (50kwh per household per month)		122							18	140		149	157
Total cost of FBS provided (minimum social package)		122	–	–	–	–	–	–	18	140		149	157
Highest level of free service provided													
Property rates (R'000 value threshold)		15000							–	15 000		15000	15000
Electricity (kw per household per month)		50							–	50		50	50
Revenue cost of free services provided (R'000)	17												
Property rates (R15 000 threshold rebate)		162							–	162		162	162
Property rates (other exemptions, reductions and rebates)		939							–	939		939	939
Total revenue cost of free services provided (total social package)		1 101	–	–	–	–	–	–	–	1 101		1 101	1 101

Explanatory notes to Table B10 - Basic Service Delivery Measurement

1. Table B10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The Municipality has a huge backlog of basic services delivery. The services such as water, and sanitation are the responsibility of the Zululand District Municipality whilst ESKOM has been appointed as the prime supplier of electricity reticulation in Nongoma. The current situation is as follows:

- **Refuse**

There are no formal refuse removal services or refuse dumps in the rural areas of Nongoma. There is a landfill site in Nongoma Town is almost full. However, it should be noted that in the town this function is being investigated with a view to realizing greater efficiencies.

3. It is anticipated that these Free Basic Services will cost the municipality R140 000 in 2014/15. The reason for the low figures is that the indigent register is incomplete and the picture might change when the community concerned come forward to register for free basic services. The provision of free basic electricity is covered by the municipality's equitable share allocation from national government.

Supporting Documentation

Table SB1

KZN265 Nongoma - Supporting Table SB1 Supporting detail to 'Budgeted Financial Performance' - 28 February 2015

Description	Ref	Budget Year 2014/15								Budget Year	Budget Year
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget
R thousands		A	A1	B	C	D	E	F	G	H	
REVENUE ITEMS											
Property rates											
Total Property Rates		27 111						(8 105)	(8 105)	19 006	21 355
less Revenue Foregone		3 703						(490)	(490)	3 213	3 610
Net Property Rates		23 407	-	-	-	-	-	(7 615)	(7 615)	15 792	17 744
Service charges - refuse revenue											
Total refuse removal revenue		1 602						-	-	1 602	1 790
Total landfill revenue										-	
less Revenue Foregone										-	
Net Service charges - refuse revenue		1 602	-	-	-	-	-	-	-	1 602	1 790
Other Revenue By Source											
Fuel levy										-	
Other revenue	3	628						(234)	(234)	394	440
Total 'Other' Revenue	1	628	-	-	-	-	-	(234)	(234)	394	440
EXPENDITURE ITEMS											
Employee related costs											
Basic Salaries and Wages		32 493						644	644	33 137	37 515
Pension and UIF Contributions		7 585						46	46	7 631	8 639
Medical Aid Contributions		1 508						191	191	1 699	1 923
Overtime		2 055						(1 083)	(1 083)	972	1 100
Performance Bonus		2 018						488	488	2 506	2 838
Motor Vehicle Allowance		1 970						(37)	(37)	1 933	2 188
Housing Allowances		50						-	-	50	56
Other benefits and allowances		1 912						(16)	(16)	1 896	2 146
sub-total		49 591	-	-	-	-	-	233	233	49 823	56 405
Less: Employees costs capitalised to PPE										-	
Total Employee related costs	1	49 591	-	-	-	-	-	233	233	49 823	56 405
Depreciation & asset impairment											
Depreciation of Property, Plant & Equipment		10 401						(2 000)	(2 000)	8 401	9 387
Lease amortisation		186						-	-	186	208
Total Depreciation & asset impairment	1	10 588	-	-	-	-	-	(2 000)	(2 000)	8 588	9 595
Contracted services											
Security Services, D Site Main, Pest Control, IT Serv		5 394						(100)	(100)	5 294	5 915
Rentals, Contractors for Maintenance		10 238						(491)	(491)	9 747	10 890
sub-total	1	15 632	-	-	-	-	-	(591)	(100)	5 294	16 805
Total contracted services		15 632	-	-	-	-	-	(591)	(100)	5 294	16 805
Other Expenditure By Type											
Collection costs		996						(996)	(996)	-	-
Consultant fees		4 578						1 612	1 612	6 190	6 916
Audit fees		1 633						-	-	1 633	1 824
General expenses	3.5	28 523						(4 770)	(4 770)	23 753	26 537
Total Other Expenditure	1	35 730	-	-	-	-	-	(4 154)	(4 154)	31 576	35 278

Table SB2 – Supporting table to ‘financial position budget’.

KZN265 Nongoma - Supporting Table SB2 Supporting detail to 'Financial Position Budget' - 28 February 2015

Description	Ref	Budget Year 2014/15									Budget Year	Budget Year
		Original	Prior	Accum.	Multi-year	Unfore.	Nat. or	Other	Total	Adjusted	Adjusted	Adjusted
		Budget	Adjusted	Funds	capital	Unavoid.	Prov. Govt	Adjusts.	Adjusts.	Budget	Budget	Budget
		4	5	6	7	8	9	10	11			
R thousands		A	A1	B	C	D	E	F	G	H		
ASSETS												
Call investment deposits												
Call deposits < 90 days	1	1 645						316	316	1 961	3 218	4 544
Total Call investment deposits		1 645	-	-	-	-	-	316	316	1 961	3 218	4 544
Consumer debtors												
Consumer debtors		36 896						(16 704)	(16 704)	20 192	22 747	24 846
Less: provision for debt impairment		8 758	-	-	-	-	-	1 165	1 165	9 923	11 270	12 691
Total Consumer debtors	1	28 139	-	-	-	-	-	(17 869)	(17 869)	10 269	11 478	12 155
Debt impairment provision												
Balance at the beginning of the year		8 758	-	-	-	-	-	-	-	8 758	9 923	11 270
Contributions to the provision		-	-	-	-	-	-	1 165	1 165	1 165	1 347	1 421
Balance at end of year		8 758	-	-	-	-	-	1 165	1 165	9 923	11 270	12 691
Property, plant & equipment												
PPE at cost/valuation (ex cl. finance leases)		365 620						(41 191)	(41 191)	324 429	379 089	430 011
Less: Accumulated depreciation		47 923						5 666	5 666	53 589	62 486	71 873
Total Property, plant & equipment	1	317 698	-	-	-	-	-	(46 858)	(46 858)	270 840	316 603	358 138
LIABILITIES												
Current liabilities - Borrowing												
Current portion of long-term liabilities		1 102						(796)	(796)	306	52	-
Total Current liabilities - Borrowing		1 102	-	-	-	-	-	(796)	(796)	306	52	-
Trade and other payables												
Creditors	1	23 167						(4 821)	(4 821)	18 346	19 260	17 979
Total Trade and other payables		23 167	-	-	-	-	-	(4 821)	(4 821)	18 346	19 260	17 979
Non current liabilities - Borrowing												
Borrowing	3	7 997						(7 944)	(7 944)	52	-	-
Total Non current liabilities - Borrowing		7 997	-	-	-	-	-	(7 944)	(7 944)	52	-	-
Provisions - non current												
Refuse landfill site rehabilitation		1 457						401	401	1 858	1 858	1 858
Other		1 958						452	452	2 409	2 409	2 409
Total Provisions - non current		3 414	-	-	-	-	-	853	853	4 268	4 268	4 268
CHANGES IN NET ASSETS												
Accumulated surplus/(Deficit)												
Accumulated surplus/(Deficit) - opening balance		321 211						(58 545)	(58 545)	262 666	312 452	354 301
Accumulated Surplus/(Deficit)	1	321 211	-	-	-	-	-	(58 545)	(58 545)	262 666	312 452	354 301
Reserves												
Total Reserves	2	-	-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	2	321 211	-	-	-	-	-	(58 545)	(58 545)	262 666	312 452	354 301

Table SB4 – Supporting table to budgeted performance indicators and benchmarks

KZN265 Nongoma - Supporting Table SB4 Adjustments to budgeted performance indicators and benchmarks - 28 February 2015

Description of financial indicator	Basis of calculation	Budget Year 2014/15			Budget Year +1 2015/16	Budget Year +2 2016/17
		Original Budget	Prior Adjusted	Adjusted Budget	Adjusted Budget	Adjusted Budget
<u>Borrowing Management</u>						
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.6%	0.0%	2.6%	0.3%	1.6%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure ex cl. transfers and grants	64.9%	0.0%	0.0%	0.0%	0.0%
<u>Safety of Capital</u>						
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Liquidity</u>						
Current Ratio	Current assets/current liabilities	158.8%	0.0%	80.3%	174.2%	185.1%
Current Ratio adjusted for aged debtors	Current assets/current liabilities less debtors > 90 days/current liabilities	1254.7%	0.0%	0.0%	0.0%	0.0%
Liquidity Ratio	Monetary Assets/Current Liabilities	0.3	0.0	0.3	0.3	0.2
<u>Revenue Management</u>						
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/ Last 12 Mths Billing	68.0%	70.0%	70.0%	70.0%	72.0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	23.8%	0.0%	8.7%	25.5%	30.2%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Creditors Management</u>						
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA s 65(e))	95.0%	95.0%	98.0%	98.0%	100.0%
Creditors to Cash		279.2%	0.0%	346.4%	267.8%	300.2%
<u>Other Indicators</u>						
Employee costs	Employee costs/(Total Revenue - capital revenue)	37.2%	0.0%	40.4%	35.1%	36.8%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	6.5%	0.0%	7.0%	6.3%	6.6%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	8.3%	0.0%	7.0%	6.1%	7.6%
<u>IDP regulation financial viability indicators</u>						
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	8671.9%	0.0%	6044.3%	1133.1%	1200.0%
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	21.1%	0.0%	8.3%	25.2%	30.0%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.1	0.0	0.1	0.1	0.1

Table SB7 Grants and transfers receipts

KZN265 Nongoma - Supporting Table SB7 Adjustments Budget - transfers and grant receipts - 28 February 2015

Description	Ref	Budget Year 2014/15							Budget Year	Budget Year
		Original	Prior	Multi-year	Nat. or	Other	Total	Adjusted	+1 2015/16	+2 2016/17
		Budget	Adjusted	capital	Prov. Govt	Adjusts.	Adjusts.	Budget	Adjusted	Adjusted
R thousands		A	7 A1	8 B	9 C	10 D	11 E	12 F		
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		100 009	-	-	-	-	-	100 009	126 373	126 870
Local Government Equitable Share		96 234			-		-	96 234	123 456	123 752
Finance Management	3	1 800			-		-	1 800	1 950	2 100
Municipal Systems Improvement		934			-		-	934	967	1 018
Integrated National Electrification Programme		-			-		-	-	-	-
EPWP Incentive		1 041			-		-	1 041	-	-
Provincial Government:		811	-	-	(150)	-	(150)	661	699	956
Provincialisation of Libraries		535			-		-	535	567	597
Community Library Services	4	126			-		-	126	132	359
sports fields maintenance	5	150			(150)		(150)	-	-	-
District Municipality:		50	-	-	-	-	-	50	50	50
Tourism		50			-		-	50	50	50
Total Operating Transfers and Grants	6	100 870	-	-	(150)	-	(150)	100 720	127 122	127 876
Capital Transfers and Grants										
National Government:		45 679	-	-	-	-	-	45 679	41 160	42 422
Municipal Infrastructure Grant (MIG)		29 812			-		-	29 812	31 160	32 422
Neighbourhood Development Partnership		9 867			-		-	9 867	-	-
Integrated National Electrification Programme		6 000			-		-	6 000	10 000	10 000
Total Capital Transfers and Grants	6	45 679	-	-	-	-	-	45 679	41 160	42 422
TOTAL RECEIPTS OF TRANSFERS & GRANTS		146 549	-	-	(150)	-	(150)	146 399	168 282	170 298

Table SB8 – Expenditure on transfers and grants programmes.**KZN265 Nongoma - Supporting Table SB8 Adjustments Budget - expenditure on transfers and grant programme - 28 February 2015**

Description	Ref	Budget Year 2014/15							Budget Year	Budget Year
		Original	Prior	Multi-year	Nat. or	Other	Total	Adjusted	+1 2015/16	+2 2016/17
		Budget	Adjusted	capital	Prov. Govt	Adjusts.	Adjusts.	Budget	Adjusted	Adjusted
R thousands		A	A1	B	C	D	E	F		
EXPENDITURE ON TRANSFERS AND GRANT PROGRAMMES	1									
Operating expenditure of Transfers and Grants										
National Government:		100 009	-	-	-	-	-	100 009	126 373	126 870
Local Government Equitable Share		96 234					-	96 234	123 456	123 752
Finance Management		1 800					-	1 800	1 950	2 100
Municipal Systems Improvement		934					-	934	967	1 018
EPWP Incentive		1 041					-	1 041	-	-
Provincial Government:		811	-	-	-	-	-	811	699	956
Provincialisation of Libraries		535					-	535	567	597
Community Library Services		126					-	126	132	359
sports fields maintenance		150					-	150	-	-
District Municipality:		50	-	-	-	-	-	50	50	50
Tourism		50					-	50	50	50
Total operating expenditure of Transfers and Grants:		100 870	-	-	-	-	-	100 870	127 122	127 876
Capital expenditure of Transfers and Grants										
National Government:		45 679	-	-	-	-	-	45 679	41 160	42 422
Municipal Infrastructure Grant (MIG)		29 812					-	29 812	31 160	32 422
Neighbourhood Development Partnership		9 867					-	9 867	-	-
Integrated National Electrification Programme		6 000					-	6 000	10 000	10 000
Total capital expenditure of Transfers and Grants		45 679	-	-	-	-	-	45 679	41 160	42 422
Total capital expenditure of Transfers and Grants		146 549	-	-	-	-	-	146 549	168 282	170 298

Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) is progressively improving.

2. Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme and has employed a third group of five interns undergoing training in various divisions of the Financial Services Department. Some of them are promising. The municipality may consider absorbing them on permanent basis.

3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

4. Annual Report

The draft annual report was tabled on the 23rd January 2015 and is now at the finalization stage. The final report will be tabled before end of March 2015.

Municipal manager's quality certificate

I Mr. BE Ntanzi, municipal manager of Nongoma Municipality, hereby certify that the adjustment budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the adjustment budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

BE Ntanzi

Municipal manager of Nongoma Municipality (KZN265)

Signature _____

Date : 23 February 2015